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Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
Commonwealth of Massachusetts
One South Station, 2nd Fl.
Boston, MA 02110

RE: D.T.E. 03-50

Dear Secretary Cottrell:

In accordance with the Department's November 21, 2000, Order in D.T.E. 99-271, Verizon MA is filing a revised Performance Assurance Plan ("PAP") for the Department's review. The revisions in the attached documents are consistent with the New York Public Service Commission's ("PSC") September 25, 2006 Order in Case 99-C-0949, which amended the New York PAP, and the Company's October 25, 2006 Compliance Filing in that proceeding. A copy of the NY PSC's Order can be found at http://www.dps.state.ny.us/Case_99C0949.htm (select PSC File Room).

In the past, Verizon has also provided the Department and the parties with a "red-lined" version of the current PAP that highlighted the changes that had been made to the PAP. In this case, since the NY PSC has reorganized the main document and appendices, the provision of such a document would not be helpful. As will be explained below, the Revised MA PAP is significantly different in form and substance from the current PAP, and any red-lined version of the current MA PAP would be virtually incomprehensible.

I. The Revised NY PAP

Due to major changes in the marketplace, the New York Commission made significant changes to both the substance and format of the NY PAP. These changes, which have been incorporated in the Revised MA PAP, can be summarized as follows:

> Line sharing, line splitting, and UNE-P metrics were removed from the Mode of Entry ("MOE") and Critical Measures sections of the Plan, consistent with the changes that were made to the C2C Guidelines on December 23, 2005.
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> The overall at-risk dollars were reduced by approximately 65% to reflect the removal of a large volume of products no longer required to be unbundled and the realities of the competitive telecommunications market place. However, for the products remaining in the MOE and Critical Measures sections of the PAP approximately the same amount is at risk.
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> The MOE section of the PAP has been modified so that it now includes only three modes instead of five. UNE-P has been removed along with the UNE-P metrics, while the current Loop MOE and the remaining metrics from the DSL MOE are consolidated into a single "Loop-Based" MOE. The three remaining modes are: Resale, Loop-Based, and Trunks.
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> In order to simplify the administration of the PAP, the scoring methodology for both the MOE and Critical Measures sections was modified.
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> Most significantly, the -1 Recapture Provision was eliminated and only a single month is now used to evaluate Verizon's aggregate performance.[1]

[1] There is one minor exception, a metric in the Trunk MOE, NP-1-03, can receive a "-1" score that is subject to recapture if Verizon attains a "0" score on this metric in the next two months.

The elimination of the -1 Recapture Rule resulted in a number of other interrelated changes including modifications to the z-scores associated with the -1 and -2 scoring for parity measures, and the recalculation of the initial 10% payment levels for the MOE tables and Dead Bands for each of the MOEs.

The number of Critical Measure metrics was reduced from 110 to 44, which increases the bill credits at risk per metric.

The scoring methodology used for the Critical Measure's Individual Rule was modified to evaluate performance on a single month's performance. This modification includes the shift to a single month's performance and a corresponding change to the standards used for the scoring.

The Special Provisions and Change Control Assurance Plan categories were eliminated, but the PAP retains certain metrics from those provisions, including them in the MOE or Critical Measures sections.

A greater proportion of dollars at risk were allocated to the UNE-Specials metrics provisions in the Critical Measures section of the Plan.

A billing metric, BI-9 "% Billing Completeness in Twelve Billing Cycles", replaces BI-3-04 and BI-3-05 in the Critical Measures section.

The New York Commission directed Verizon NY to confer with Staff and resolve a number of outstanding administrative issues in its compliance filing. The compliance filing that Verizon NY made on October 25, 2006 addressed these issues. A copy of the transmittal letter and Verizon NY's Compliance Filing in Case 99-C-0949 is attached as Attachment 1.[2]

II. The Revised MA PAP.

The Revised MA PAP, which is attached hereto as Attachment 2, reflects all of the above changes that were adopted in New York. State-specific aspects of the MA PAP, which

[2] The New York Commission gave the CLECs 15 days to file comments on Verizon's Compliance Filing. Verizon NY anticipates that the Commission may issue a subsequent Order addressing any issues raised by the Compliance Filing. If the New York PSC makes further modifications to the NY PAP, Verizon MA will propose these further modifications to the Department for inclusion in the MA PAP. Similarly, if the New York PSC suspends implementation of a metric or makes a modification to the NY PAP, Verizon MA will propose this suspension or modification to the Department for the MA PAP.

are not mirrored in the NY PAP, are primarily addressed in Appendix F. This appendix includes provisions relating to audits and the offset mechanism that applies when CLECs are entitled to receive bill credits under the Department's Consolidated Arbitrations Wholesale Service Quality Plan. Verizon MA has also made one minor change to an administrative aspect of the MA PAP, which is reflected in Appendix F. The current MA PAP provides that:

> Changes to the New York Plan adopted by the New York PSC will be filed with the Department within 10 days of the compliance filings in New York for review and inclusion in the Massachusetts Plan upon the Department's approval.

The Revised MA PAP provides that Verizon MA will have 30 days to make a compliance filing in Massachusetts. Verizon MA requests that the Department approve this revision. Currently, 12 other states base their PAPs on the NY PAP. Each must be revised and updated after the New York Commission modifies its PAP. Most of these states give Verizon 30 days in which to submit its compliance filing.[3] This amount of time is needed to assure that the state-specific plans have been accurately updated. The Department should give Verizon the same amount of time in Massachusetts. The additional time will prevent Verizon MA from incurring the unnecessary administrative expenses associated with the preparation of an expedited compliance filing.

Like the New York Plan, the dollars-at-risk in the Revised MA PAP have been reduced substantially. The reductions in the Revised MA PAP are in direct proportion to the reductions determined in the NY PAP. That is, the Revised NY PAP reduced the overall dollars at risk by approximately 65%. Likewise, the Revised MA PAP reduces the amounts at risk by

[3] Maine and Rhode Island are the only other states that have a ten day filing requirement in the PAP. In Verizon's Maine and Rhode Island filings of these PAP revisions Verizon is also requesting that the ten-day requirement be changed to 30 days.

approximately 65%. Under the Revised MA PAP, an aggregate amount of $53.5 million dollars remains at risk.

Given the fact that the UNE-P, line splitting and line sharing metrics have been eliminated from the Revised MA PAP, reflecting the elimination of these products from the C2C Guidelines, the $53.5 million at risk is more than enough to motivate Verizon MA to continue to provide good service to its wholesale customers. As the New York Commission noted “[t]he current amount [at risk] was established over six years ago and does not reflect the telecommunications market in New York today.” (NY Order at13.) The same is true for Massachusetts where much has changed since the MA PAP was implemented for the April 2001 data month.

First, as noted above, the Revised MA PAP covers significantly fewer lines than are covered under the current PAP. This is due primarily to the elimination of Verizon’s obligations to measure and report performance on transactions involving UNE-P, line splitting and line sharing products. However, the amounts at risk under the Revised MA PAP are roughly equivalent to the amounts at risk under the current MA PAP for the products that are still covered by the MA PAP MOEs, *i.e.,* resale, UNE loop-based and interconnection trunks. In addition, the Critical Measures section of the Plan now includes 44 metrics instead of 110, and the same amount is at risk in this section of the MA PAP as is at risk in the existing Plan for the same services. Thus, the reduction in Critical Measure metrics actually increases the dollars at risk for the measures that remain in this section of the Plan. These maximum amounts have been more than enough in the past.

Second, a good case can be made for even further reductions in the amounts at risk since competition, and not regulation, is now the major driver of service quality in Massachusetts. Competition from all modes of providers is increasing rapidly in the state, and this competition, and not regulation, will provide sufficient incentives for Verizon to provide good service to its CLEC customers. The New York Commission found that "[m]arket pressure on Verizon from emerging cable voice offerings, together with voice over internet protocol (VoIP) and wireless, should provide [an] additional incentive." (NY Order at 15.) Likewise, in the *Omaha Forbearance Order*,[4] the FCC recognized that where there are "very high levels of retail competition that do not rely on the [ILEC's] facilities – and for which [the ILEC] receives little to no revenue" the ILEC has "the incentive to make attractive wholesale offerings available so that it will derive more revenue indirectly from retail customers who choose a retail provider other than [the ILEC]."[5] Clearly, competition is increasing everywhere, especially in Massachusetts where cable companies have taken a large number of Verizon's customers. Verizon would certainly rather obtain wholesale revenues from its CLEC customers than to receive no revenue at all when end-user customers leave its network. Accordingly, these competitive forces could justify an even further reduction in the dollars at risk under the Plan. However, for the time being, the proposed amounts at risk under the MA PAP are more than enough and should be adopted by the Department.

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[4] *Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Omaha Metropolitan Statistical Area*, Memorandum Opinion and Order, WC Docket No. 04-223, FCC 05-170 (rel. Dec. 2, 2005) ("*Omaha Forbearance Order*").

[5] *Id.* ¶ 67.

III. TRANSITION ISSUES

If the Department adopts the Revised MA PAP, which it should, it must also adopt a mechanism to close out the current MA PAP. In a number of situations, the current MA PAP examines Verizon's performance over a number of months to determine if bill credits are due. The new Plan requires only one month of performance to determine whether Verizon owes bill credits to the CLECs.[6] The new Plan also deletes, replaces or adds a number of metrics from the old Plan. Accordingly, Verizon MA recommends the following mechanisms be put in place to close out the current Plan.

First, as explained above, the new Plan eliminates the -1 Recapture Provision that requires the examination of three months of data to determine whether a -1 score should be converted to a 0 score. Under the Revised MA PAP, only one month of data is necessary to determine Verizon's performance on any metric. Once this change is implemented, the Department must determine how to close out the current Plan, *i.e.,* there must be a mechanism to close out the last two months of the current Plan with respect to -1 recaptures.

Verizon proposes that for the purposes of the -1 Recapture Provision, the current MA PAP should be used to calculate performance for the two-month recapture period. For example, if the new Plan were to go into effect for the July 2007 data month, the June data month under the current Plan should be calculated as it is today with respect to scoring. Any -1 performance scores in the preliminary report for June 2007 would be subject to change using the performance from the next two months, *i.e.*, July and August 2007, in the same manner as they would have been if the current Plan were to continue. In the meantime, Verizon would also produce new

[6] As noted the Proposed MA PAP, eliminates the -1 Recapture Provision for all metrics except NP-1-03, one of the metrics in the Trunk MOE.

PAP reports for July and August pursuant to the Revised MA PAP, and those reports would determine what, if any, bill credits were due under the new Plan for those months.

Second, the Special Provision metrics for flow-through also examine more than one month's performance and must also be closed out once the new Plan becomes effective. The metrics in this section are examined on a quarterly basis. For example, each quarter $292,425 is at risk for these metrics for UNE Loop. Verizon proposes that, for the purpose of this section, these metrics should continue to be analyzed until the respective quarter is closed out. However, the dollars at risk should be prorated. Thus, if a new PAP is implemented in November 2007, Verizon would be liable under the old Plan for two months – October and November 2007. To determine if any bill credits are due to the CLECs under this section of the old Plan, Verizon would analyze the flow-through data for the fourth quarter of 2007 (October - December 2007). However, Verizon would only be responsible for $194,950 which is two-thirds of the $292,425 in bill credits currently at risk for the full quarter, if Verizon did not satisfy both of the flow-through metric thresholds for UNE Loop.

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Following Department approval of the attached revisions, Verizon MA plans to implement the new PAP in the next available the Network Metrics Portal ("NMP") release. If, however, the Department were to order modifications that required significant systems changes in addition to those already proposed in the attached version, the Company would request that it be allowed to negotiate an implementation date at the time it makes its compliance filing.

Thank you for your assistance in this matter.

Very truly yours,

/s/ Alexander W. Moore

Alexander W. Moore

Enclosure

cc: Julie Westwater, Esq., Hearing Officer
Attached Service List (e-mail)